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PN-ACZ-750

"On-the-Spot" Survey #2

February 12, 1958

MEMORANDUM FOR MEMBERS OF THE WORKING GROUP ON SPECIAL SENATE
STUDIES OF THE FOREIGN AID PROGRAM

FROM: O/Assistant to the Director for Congressional Presentation

RE : An "On-the-Spot" Survey in Norway, Denmark, West Germany -
including the West Sector of Berlin, and Yugoslavia, by
William Randolph Hearst, Jr, President, Hearst Publications

Mr. Hearst states the field survey requested has been concluded with the exception of Yugoslavia, where an entrance visa was denied. It is not believed appropriate, therefore, for this report to have reference to the foreign assistance program for Yugoslavia.

It is the considered judgment of the Committee's Consultant that the report that follows represents an accurate appraisal of the overall effectiveness of the Government's assistance programs, giving due allowance to the limitations of time available for the survey.

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FIELD SURVEY REPORT

November 4, 1956 marked a day of history in Communism's march among world events. Political reverberations from the invasion of Soviet troops in the streets of Budapest have significance which may not be understood for some time to come. In Norway and Denmark, in the Federal Republic of Germany and in Berlin, the immediate result was apparent. The era of peaceful coexistence which blossomed forth from the Geneva Big Four Conference in 1954 was shattered by armored tanks stilling patriots' cries for political freedom and independence.

Although of lesser impact, the Israel invasion of Egypt on October 29, 1956 and the subsequent British-French action on October 31, 1956 created additional disturbances and uncertainties in the three NATO countries visited during the survey.

Since conclusions must vary with varying circumstances, it is questionable whether future programs of assistance can be predicated with great certainty over observations gleaned during fluid periods such as the Hungarian and Suez crises. On the other hand, world conditions at their worst may constitute the most beneficial environment to view the past, present and future of government-to-government mutual assistance plans.

It should be stated that no cognizance is taken in this report of the economic strains that the Suez crises placed on the fiscal situations in the countries surveyed.

There is no question that the Soviet Union's "charm offensive" of 1955-1956 achieved a high degree of success in Norway, Denmark and, to a lesser extent, in West Germany. No doubt exists that the recent events in East Europe have restored the realities of unswerving Communist objectives toward world domination to their proper perspective in those countries.

The Middle East crisis, with two key members of NATO charting a unilateral course, caused alarming reactions in the three survey countries. The weakness of a unified cohesive force in NATO when national interests and considerations became paramount has laid the groundwork for the necessity of closer ties and greater consultations among members joined together in this mutual defense effort.

The conclusions and recommendations, in the order of the countries visited, are as follows:

I. CONCLUSIONS:

A. NORWAY

(1) ECONOMIC AID. U. S. economic assistance was indispensable to the Nation's Post World War II debilitated economy in the period during which recovery was accomplished. Assistance in the amount of \$459.6 million in

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various aid programs and \$2.3 million surplus commodities, was granted from 1949 to 1953. Economic recovery would not have been attained by the Norwegian Government until at least 1960 without such foregoing aid.

There is reason to believe that Norway's entrance into NATO could not have been accomplished without promises of U. S. economic assistance. Norway's strategic position on the north flank of our European defense line has increased U. S. defensive capabilities beyond calculation.

Without United States economic assistance, Soviet pressures to neutralize Norway away from the West would have greatly increased. Grave danger existed that a war-weary people would have accepted Soviet aid in lieu of continued economic hardships.

(2) MILITARY AID. Present military strength was made possible only through U. S. assistance but military strength is still below NATO requirements. U. S. military aid amounted to over \$564 million.

Existing government concludes that for political reasons present economic conditions do not permit increased military appropriations. This conclusion necessitates continued assistance from U. S. or other NATO sources to maintain existing defense levels.

Necessity of maintaining disproportionate share of NATO's early warning system has increased feeling that country's defense program is of primary benefit to the United States.

B. DENMARK

(1) ECONOMIC AID. U. S. economic assistance accelerated Denmark's recovery from wartime economy. German occupation of country placed temporary strain on nation's resources, but in general, post-war economic health of country more favorable than in other countries visited. U. S. economic assistance programs amounted to \$305 million. Without such aid it is doubtful that the military preparedness now attained would have been accomplished.

The long history of neutrality in nation would have been cultivated by USSR to the detriment of the West if the need for assistance for Denmark had not been recognized. A look at a map of Europe is sufficient evidence of the country's strategic position from a military viewpoint.

(2) MILITARY AID. Present strength is based on United States assistance programs and continuance of present levels of military effectiveness can be maintained only with continued aid. U. S. military aid amounts to over \$394 million.

Strategic location as the "cork in the Baltic" against Soviet submarine menace is of the highest defense value to the United States and to NATO.

Effective early warning system makes this area a key to Western defense.

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C. FEDERAL REPUBLIC OF GERMANY.

(1) ECONOMIC AID. Economic assistance to West Germany was the difference between complete collapse of the German people and their emergence with the strongest fiscal government in Europe today.

Economic aid programs amounted to over \$3 billion. A wartime economy since 1936 and complete occupation after defeat in World War II left the country's economy helpless and beyond repair without outside assistance. With the USSR in complete domination of one-third of her geographical area and thirty percent of her people, West Germany would have been subject to constant subversive Communist pressures or, in the alternative, complete economic dependence without U. S. assistance programs.

The country is today a major keystone of Western Europe's defense plans against the USSR. This fact alone proves the wisdom and, in only eleven years after World War II, the efficacy of U. S. aid programs.

(2) MILITARY AID. Military aid has completely equipped armed forces up to existing strength. Lagging military strength is due to the defeat of the European Defense Community Plan in 1953 and the cutback in draft plans.

U. S. military aid amounts to over \$1 billion. If acceptable to West German people, military mobilization to meet NATO requirements could be secured rapidly.

D. BERLIN (WEST SECTOR)

(1) ECONOMIC AID. Economic assistance protected and saved over two million people from poverty and complete destitution, as well as possible incorporation into Soviet territory.

Aid programs in the amount of \$600 million were furnished from 1948 to present date. During the Berlin blockade air lift of 1948-1949, every commodity consumed by the Sector's inhabitants was transported for a period of ten months. This aid strengthened anti-Communist spirits in all of the countries behind the Iron Curtain.

The value of economic aid can be readily seen by any observer traveling from the Western to the Eastern Sector of the City. Rehabilitation has been extensive as compared with East Berlin.

One hundred and thirty miles inside the Iron Curtain Free Berlin stands as the only visible beacon of freedom and hope to the captive peoples of the satellite nations. Its psychological value in maintaining the spirits of the East Germans for eventual freedom cannot be over-estimated. In the minds of all Germans, as long as a Free Berlin is maintained, unification of the entire country will be eventually accomplished.

(2) MILITARY AID. Aside from local police forces, military strength in the West Sector is composed entirely of U. S., British and French personnel.

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II. RECOMMENDATIONS:

A. NORWAY

(1) ECONOMIC ASSISTANCE. No necessity can be discovered for a continuation of economic assistance except for assistance directly relating to accomplishing proposed NATO defense levels.

(2) MILITARY ASSISTANCE. Military assistance will be required in increasing amounts if defense requirements of NATO are to be attained. A possibility exists for the country to increase defense appropriations. However, doubling or tripling present defense expenditures would not produce significant advance in defense levels. It is recommended that NATO infrastructure program be reviewed with the objective of providing defense maintenance for smaller nations which have disproportionate NATO defense burdens.

B. DENMARK

(1) ECONOMIC ASSISTANCE. No necessity is apparent for any economic aid in the future. Economy of country is basically sound, with the exception of inflationary trends of rising wages and prices, and should continue on a healthy basis.

(2) MILITARY ASSISTANCE. To maintain existing defense levels and to increase to NATO requirements, continued military assistance is necessary although possibility exists for increased defense appropriations in nation to decrease margin needed. It is recommended that NATO infrastructure program be reviewed with possibility of including directly related military items now being furnished exclusively by the United States.

C. FEDERAL REPUBLIC OF GERMANY

(1) ECONOMIC ASSISTANCE. No economic assistance is now being delivered or planned. In view of the thriving community which has surpassed economic levels of 1939, no necessity is seen for resumption of economic assistance in the future.

(2) MILITARY ASSISTANCE. No military assistance is recommended for Germany, barring unexpected reverses in the country's economic growth. Sufficient reserves now exist to purchase military equipment and the nation has indicated its willingness to pay for equipment to undertake military obligations as requested by NATO. It is recommended that increased efforts be made to encourage the Federal Republic to accelerate its defense mobilization processes. The rapid recovery of the economy of the Republic has been assisted by a concentration on build-up in peace time industry.

D. BERLIN (WEST SECTOR).

No assistance is recommended for Free Berlin except small amounts for morale purposes. Programs identifying continuation of United States interests in the Sector are being maintained.

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